

Sunborn London Oyj  
HALF YEAR FINANCIAL REPORT  
1 January - 30 June 2017

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## HALF YEAR REPORT 1 January - 30 June 2017

### Key Figures

EUR thousand	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016	1 Jan - 31 Dec 2016
Rental income	1 496	1 632	3 132
Operating profit	637	883	1 499
Investment property (yacht hotel)	41 669	43 174	42 422
Total Equity	32 944	32 279	32 594
Borrowings	31 193	0	31 106

### CEO Pekka Niemi

“The performance of the Yacht hotel and the underlying lease income from the operating partner ISS is as per our expectation. The Sunborn London Yacht hotel is well positioned in the market enjoying excellent ratings and has continued its top position among a competitive set of other selected London 4 star properties located in the E14 and E16 areas. The London hotel market in general is doing well and in our view the travel industry is benefitting from a weaker GBP which is making travel to the United Kingdom more lucrative for both business and leisure clients from outside of UK and within UK. We expect the current favorable trading condition to exist for the foreseeable future.”

### Financial summary 1 January - 30 June 2017

Rental Income was 1,50 M€ (1,63 M€). Rental income in EUR was slightly affected by weakening of GBP versus EUR, which is in line with our expectations considering Brexit negotiations are taking place. With comparable exchange rates rental income remained the same.

Operating costs increased due to the one-time costs related to the listing.

Fair value of the yacht hotel as at 30 June 2017 approximates the book value of the yacht hotel. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

### Notable Events during the reporting

Shareholder meeting held on 8 February, 2017 decided to change the legal form of the company from private limited company to public limited company and the business name was changed to Sunborn London Oyj and the parallel business name to Sunborn London Plc. It was resolved to increase the share capital of the company with 77.500 euros to 80.000 euros.

The company completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Helsinki on 21 March, 2017.

Foreign exchange market continued to be volatile due to Brexit negotiations.

## **Business environment**

No significant changes in business environment.

Issuer continued to be a SPV with no other purpose than owning the Sunborn London Yacht hotel. The vessel is leased out to ISS Facility Services Ltd through an internal bareboat agreement between the Issuer and Sunborn international (UK) Ltd.

Sunborn International (UK) Ltd, a sister company to the Issuer, has a 13-years triple net management service contract for operations of the Sunborn London Yacht hotel with ISS Facility Services Ltd, a 100% owned subsidiary of ISS A/S listed in Denmark. ISS pays Sunborn a fixed sum of GBP 220,000 per month in lease.

Customer satisfaction continues to be excellent reflected in the current score of 8.8/10 on Booking.com, 4.5/5 on Hotels.com, 4.5/5 on Expedia and #153 out of 1,069 hotels in London on TripAdvisor.

## **Estimate future development**

The company estimates that its financial performance and debt service capacity will remain stable.

## **Notable events after the end of the reporting period**

Mooring license with Royal Docks Management Authority (RODMA) was renewed in September for a further five years. Sunborn seeks to renew the mooring license annually going forward as well, unless a longer contract term restriction is waived by Greater London Authority (GLA).

After the reporting period, exchange rates continued to be volatile. According to Sunborn's financial strategy, the management of the company continues closely to monitor the development of the GBP/EUR exchange rate and decides on necessary actions to be taken.

## **Short-term risks and uncertainties**

The Company's financial risks related to business are market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk.

The Company is exposed to foreign currency risk through rental receivables and future cash flows arising from the lease contract of the Yacht hotel that is denominated in GBP. The risk of depreciation of the GBP against EUR and its possible negative impact on the returns is not currently hedged. Floating interest rate risk has not been hedged.

Financial risk management carried out by the management of the Company aims to protect the Company against unfavorable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

## STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016	1 Jan - 31 Dec 2016
Rental income from group companies	3	1 496	1 632	3 132
Other operating income		64	68	132
Depreciation	4	-752	-752	-1 505
Other operating expenses		-170	-65	-261
<b>Operating profit</b>		<b>637</b>	<b>883</b>	<b>1 499</b>
Finance income		792	-	414
Finance costs		-1 089	-247	-944
Finance income and costs, net		-297	-247	-530
<b>Profit before taxes</b>		<b>340</b>	<b>635</b>	<b>969</b>
Income tax expense		-170	-195	-150
Change in deferred tax		102	68	-44
<b>Profit for the period</b>		<b>272</b>	<b>508</b>	<b>775</b>
<b>Total comprehensive income for the period</b>		<b>272</b>	<b>508</b>	<b>775</b>

## BALANCE SHEET

EUR thousand	Note	30 Jun 2017	30 Jun 2016	31 Dec 2016
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	4	41 669	43 174	42 422
Receivables from group companies		26 875	-	26 014
Cash collateral	6	880	-	880
<b>Total non-current assets</b>		<b>69 424</b>	<b>43 174</b>	<b>69 316</b>
<b>Current assets</b>				
Trade receivables from group companies	7	3 429	2 604	3 551
Trade and other receivables		86	134	55
Cash and cash equivalents		343	2	45
<b>Total current assets</b>		<b>3 858</b>	<b>2 740</b>	<b>3 651</b>
<b>Total assets</b>		<b>73 282</b>	<b>45 914</b>	<b>72 967</b>
<b>Equity and liabilities</b>				
	5			
Share capital		80	3	3
Reserve for invested unrestricted equity		600	600	600
Retained earnings		32 264	31 677	31 992
<b>Total equity</b>		<b>32 944</b>	<b>32 279</b>	<b>32 594</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	6	30 633	-	30 546
Borrowings from group companies		-	4 513	-
Deferred income	4	835	963	899
Deferred income tax liabilities		7 961	7 952	8 063
<b>Total non-current liabilities</b>		<b>39 428</b>	<b>13 428</b>	<b>39 508</b>
<b>Current liabilities</b>				
Trade and other payables		150	146	117
Payables to group companies		5	8	161
Borrowings	6	560	-	560
Accrued expenses		195	53	27
<b>Total current liabilities</b>		<b>910</b>	<b>207</b>	<b>865</b>
<b>Total liabilities</b>		<b>40 338</b>	<b>13 635</b>	<b>40 373</b>
<b>Total equity and liabilities</b>		<b>73 282</b>	<b>45 914</b>	<b>72 967</b>

## STATEMENT OF CHANGES IN EQUITY

EUR thousand	Invested equity	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
<b>Equity at 1.1.2016</b>	36 006	0	0	0	<b>36 006</b>
Profit for the period	468				468
<b>Total comprehensive income</b>	468	0	0	0	468
Transactions with owner:					
Equity transactions with Sunborn International Oy	229				229
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	229	0	0	0	229
Demerger on April 30, 2016:					
Reclassification of invested equity to liability in accordance with demerger plan	-4 467				-4 467
Reclassification of invested equity to share capital and reserve for invested unrestricted equity	-32 236	0	600	31 636	0
<b>Impact of demerger on April 30, 2016</b>	-36 703	0	600	31 636	-4 467
<b>Equity at 30.4.2016</b>	0	0	600	31 636	<b>32 236</b>
Profit for the period				41	41
<b>Total comprehensive income</b>	0	0	0	41	41
Transactions with owner:					
Payment of the sharecapital		3			3
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	0	3	0	0	3
<b>Equity at 30.6.2016</b>	0	3	600	31 677	<b>32 279</b>
<b>Equity at 1.7.2016</b>	0	3	600	31 677	<b>32 279</b>
Profit for the period				267	267
<b>Total comprehensive income</b>	0	0	0	267	267
Transactions with owner:					
Group contribution				48	48
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	0	0	0	48	48
<b>Equity at 31.12.2016</b>	0	3	600	31 992	<b>32 594</b>
<b>Equity at 1.1.2017</b>	0	3	600	31 992	<b>32 594</b>
Profit for the period				272	272
<b>Total comprehensive income</b>	0	0	0	272	272
Transactions with owner:					
Payment of the sharecapital		78			78
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	0	78	0	0	78
<b>Equity at 30.6.2017</b>	0	80	600	32 264	<b>32 944</b>

## STATEMENT OF CASH FLOWS

EUR thousand	Note	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016	1 Jan - 31 Dec 2016
<b>Cash flows from operating activities</b>				
Profit before tax		340	635	969
Adjustments for				
Amortisation of deferred income	4	-64	-64	-132
Depreciation	4	752	752	1 505
Finance income and costs, net		297	247	530
Change of working capital				
Change in trade and other receivables		-8	-1 736	-2 685
Change in trade and other payables		-46	96	147
<b>Net cash flows from operating activities</b>		<b>1 272</b>	<b>-70</b>	<b>334</b>
<b>Cash used in investing activities</b>				
Loans given to related party	7	-70	-	-25 671
Interest received		-	-	2
<b>Net cash flows used in investing activities</b>		<b>-70</b>	<b>0</b>	<b>-25 669</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		-	-	32 000
Repayment of borrowings from parent company	7	-	-	-4 390
Cash deposited on escrow account		-	-	-880
Contribution from/to Sunborn International Oy		-	67	67
Payment of the share capital		-	3	3
Transaction costs paid		-	-	-933
Interest and finance costs paid		-904	-	-488
<b>Net cash flows from financing activities</b>		<b>-904</b>	<b>70</b>	<b>25 380</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>45</b>	<b>2</b>	<b>3</b>
Effects of exchange rate changes on cash and cash equivalents		0	0	-2
Change in cash and cash equivalents		298	0	42
<b>Cash and cash equivalents at the end of period</b>		<b>343</b>	<b>2</b>	<b>45</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

Sunborn London Oyj is a public limited liability company (“the Company”) incorporated in Finland. The registered address of Sunborn London Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn London Oyj was established on April 30, 2016 through a demerger of Sunborn International Oy. Sunborn London Oyj owns a luxury yacht hotel “Sunborn London” docked at ’at Royal Victoria Dock in London, the UK (“Yacht hotel”), which it has leased to its sister company Sunborn International (UK) Limited (“Sunborn UK”). The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd (“ISS”) in accordance with a lease contract between ISS and Sunborn UK. The Yacht hotel is equipped with 138 cabins, including four suites or high class cabins, with a total hotel capacity of 524 persons. There are also conference facilities for up to 200 delegates, restaurant, bar and lounges inside the Yacht hotel. The Company had no employees in 2016 and 2017. Sunborn London Oyj’s parent company Sunborn Oy provides management and administrative services to the Company. Sunborn UK’s sole operations consist of acting as the lessee and lessor of the Yacht hotel.

Sunborn Oy is the sole owner and parent company of Sunborn London Oyj and Sunborn UK. Sunborn Oy is a family owned company based in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector.

### 2. Summary of significant accounting policies

#### Basis of preparation

This half year financial report for six months ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS), *IAS 34 interim Financial Reporting*, as adopted by the European Union. The half year financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2016, as well as on the new and updated IFRS standards described in the financial statements for the year 2016. However, the half year financial report does not include all the information and notes that are presented in the annual financial statements. As such the half year financial report should be read in conjunction with the special purpose financial statements for the year ended 31 December 2016.

The preparation of the half year financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 2016

The financial statements are presented in thousands of euros unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

The half year financial report is unaudited.

### **Basis of accounting for the carve-out financial information**

As the Company was established through demerger on April 30, 2016, the carve-out financial information of Sunborn London Oyj for the four month period ended April 30, 2016 has been prepared on a carve-out basis from Sunborn International Oy's standalone financial statements, which comply with Finnish Accounting Standards ("FAS"), comprising the historical income and expenses, assets and liabilities and cash flows attributable to the business related to the Yacht hotel and adjusted to comply with IFRS as adopted by the EU. As IFRS does not provide guidance for the preparation of carve-out financial statements, certain accounting conventions commonly used for the preparation of historical financial information have been applied in preparing carve-out financial information for the four month period ended April 30, 2016.

The application of these carve-out conventions has been described more closely in the special purpose financial statements for the year ended 31 December 2016.

### **3. Rental income from related parties and other income**

The Company's rental income consist of rental income from its sister company Sunborn UK.

**Future minimum lease payments from the lease contract translated at exchange rate prevailing on each balance sheet date are as follows:**

EUR thousand	30 Jun 2017	30 Jun 2016	31 Dec 2016
No later than 1 year	2 934	3 122	3 013
Later than 1 year and no later than 5 years	11 736	12 486	12 054
Later than 5 years	20 049	8 845	22 098
<b>Total</b>	<b>34 720</b>	<b>24 453</b>	<b>37 165</b>

Other income relates to the payments received from ISS to renovate and repair the Yacht hotel before the commencement of the lease in 2014. The payments received are recognised as other income over the time of the depreciation of the improvements.

### **4. Investment property**

The Company presents as investment property its investment in a Yacht Hotel that is leased out under operating lease and it is operated as Yacht hotel Sunborn London by ISS. The Company has used the fair value of the Yacht hotel as deemed cost for the investment property as at 1 January 2015. Subsequently the investment property is carried at cost less any accumulated depreciation and any accumulated losses. Fair value of the yacht hotel as at 30 June 2017 approximates the book value of the yacht hotel 41 million euro. The fair value was approximately 44 million EUR on 30.6.2016 and 43 million EUR on 31.12.2016. The fair value has been determined based on income approach using discounted cash flow analyses. The fair value measurement is based on unobservable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

The Yacht hotel is registered in Finland but located in London, United Kingdom, where it is leased under a lease agreement to Sunborn UK. Sunborn UK has leased the Yacht hotel to ISS, which runs the hotel operations of the Yacht hotel. ISS is responsible for the maintenance, the mooring fee, certain insurances,

marketing of the vessel and any other such operational costs for operating the Yacht hotel. The Company has thus no risk on operating the Yacht hotel, being only responsible for certain insurances and maintaining the hull. The highest and best use of the investment property does not differ from its current use.

The deferred income recognised in the balance sheet relates to payments received from ISS to renovate and repair the Yacht hotel before the commencement of the lease in 2014. Costs of renovation are included in the fair value of the Yacht hotel. The deferred income is recognised as other income over the time of the depreciation of the improvements.

EUR thousand	Yacht hotel
Cost at January 1, 2017	45 432
<b>Cost at June 30, 2017</b>	<b>45 432</b>
Accumulated depreciation at January 1, 2017	3010
Depreciation	753
<b>Accumulated depreciation and impairment at December 31, 2016</b>	<b>3 763</b>
Net book value at January 1, 2017	42 422
Net book value at June 30, 2017	41 669

EUR thousand	Yacht hotel
Cost at January 1, 2016	45 432
<b>Cost at June 30, 2016</b>	<b>45 432</b>
Accumulated depreciation at January 1, 2016	1505
Depreciation	753
<b>Accumulated depreciation and impairment at June 30, 2016</b>	<b>2 258</b>
Net book value at January 1, 2016	43 927
Net book value at June 30, 2016	43 174

EUR thousand	Yacht hotel
Cost at July 1, 2016	45 432
<b>Cost at December 31, 2016</b>	<b>45 432</b>
Accumulated depreciation at June 30, 2016	2258
Depreciation	753
<b>Accumulated depreciation and impairment at December 31, 2016</b>	<b>3 010</b>
Net book value at July 1, 2016	43 174
Net book value at December 31, 2016	42 422

Rental income and direct operating expenses related to Yacht hotel recognised in the comprehensive income statement are as follows:

EUR thousand	1 Jan - 30 Jun 2017	1 Jan - 30 Jun 2016	1 Jan - 31 Dec 2016
Rental income	1 496	1 632	3 132
Direct operating expenses from property that generated rental income	170	65	261

## 5. Equity

Shareholder meeting held on 8 February, 2017 decided to change the legal form of the company from private limited company to public limited company. At the same time, Sunborn Oy decided to increase the share capital of the Company to meet the requirements of a public limited liability company under Finnish Companies Act (624/2006). Borrowing of EUR 77.500 from Sunborn Oy was converted to the share capital of the Company. After this transaction, the Company's share capital amounts to EUR 80 thousand.

Number of the shares has been 200 shares since the establishment of the Company. Shares have no nominal value.

## 6. Borrowings

EUR thousand	30 Jun 2017	30 Jun 2016	31 Dec 2016
Non-current:			
Senior secured bond	30 633	-	30 546
Current:			
Senior secured bond	560	-	560
<b>Total</b>	<b>31 193</b>	<b>-</b>	<b>31 106</b>

As at 26 September 2016 the Company issued senior secured bonds with nominal amount of EUR 32 million to certain qualified institutional investors mainly to finance the existing debt of its sister company Sunborn UK in the amount of EUR 23.8 million and to provide additional financing to its parent company Sunborn Oy in the amount of EUR 6.5 million. The amount of EUR 0.9 million equivalent of 6 months interest was deposited in a reserve account in the bank (cash collateral). The remaining proceeds were used for general corporate purposes.

The bonds are denominated in euros and mature by 27 September 2021. The bonds are repaid by the Company in 5 small instalments and the remaining amount will be fully redeemed on maturity date at nominal amount. The contractual interest is 5.5% plus 3-month Euribor. The effective interest rate is 6.15%.

### *Collaterals and guarantees given*

The bonds are secured by a 1st lien mortgage in the Yacht hotel and the cash collateral discussed above. Moreover, the issuer has pledged all cash flows generated by the lease agreement on the Yacht hotel, as well as the loan receivable from the parent company and other intragroup receivables. The normal bank accounts have been pledged to secure the bond repayments, however they can be used by the Company in the ordinary course of business.

The bonds are also secured by an on demand guarantee (In Norwegian: "påkrevsgaranti") from Sunborn UK, which were issued under the bond agreement and by a 1st lien floating charge (in Finnish: yrityskiinnitys) registered on the Company's movable property in accordance with the Floating Charge Act. Sunborn UK's sole operations consist of acting as the lessor and lessee of the Yacht hotel. Its revenue consists of rental income. Also Sunborn UK's cash flows and receivables from ISS, as well as their bank accounts have been pledged as security of the bonds.

Moreover, Sunborn Oy has pledged its shares in the Company and Sunborn UK to secure the repayment of the bonds.

## 7. Related parties

### Transactions with related parties

The Company's related parties are its parent company Sunborn Oy, other Sunborn Group entities, the board of directors and key management of the Company and the Board of Directors and management of the parent company, together with their close family members, and companies controlled by these individuals.

The following table summarises the Company's transactions and outstanding balances with related parties during or at the end of the years presented:

EUR thousand	1 Jan - 30 Jun 2017			1 Jan - 30 Jun 2016		
	Rental income from the operating lease	Management fee	Interest income	Rental income from the operating lease	Management fee	Interest expenses
Parent - Sunborn Oy	-	-24	792	-	-8	-46
Sunborn UK	1 496	-	-	1 632	-	-
<b>Total</b>	<b>1 496</b>	<b>-24</b>	<b>792</b>	<b>1 632</b>	<b>-8</b>	<b>-46</b>

EUR thousand	1 Jan - 31 Dec 2016				
	Rental income from the operating lease	Management fee	Interest income	Interest expenses	Group contribution
Parent - Sunborn Oy	-	-67	398	-116	-
Sunborn International Oy	-	-	-	-	60
Sunborn International (UK) Ltd	3 132	-	-	-	-
<b>Total</b>	<b>3 132</b>	<b>-67</b>	<b>398</b>	<b>-116</b>	<b>60</b>

EUR thousand	30 Jun 2017		30 Jun 2016	
	Receivables	Liabilities	Receivables	Liabilities
Parent - Sunborn Oy	26 815	5	-	4 521
Sunborn International Oy	60	-	-	-
Sunborn UK	3 429	-	2 604	-
<b>Total</b>	<b>30 304</b>	<b>5</b>	<b>2 604</b>	<b>4 521</b>

EUR thousand	31 Dec 2016	
	Receivables	Liabilities
Parent - Sunborn Oy	25 954	161
Sunborn International Oy	60	-
Sunborn International (UK) Ltd	3 551	-
<b>Total</b>	<b>29 565</b>	<b>161</b>

The rental income of the Company arises from a lease contract related to the Yacht hotel with its sister Company, Sunborn UK. The Lease contract ("Bareboat agreement") is in force until terminated by either party subject to six months' prior notice. Sunborn UK has leased the Yacht hotel to ISS under a long term non-cancellable lease contract with a maturity date on April 30, 2029. The lease term of the contract was extended from 10 to 15 years in September 2016. The terms of the senior secured bonds issued by the Company require that the Bareboat agreement is continued for a minimum period of the lease between Sunborn UK and ISS.

The Company has paid for the management fee and received interest income from Sunborn Oy, the parent company. The interest income arises from the loan granted to the parent as described below.

The loan granted to the parent company Sunborn Oy in September 2016 matures in September 2021. The loan receivable accumulates interest income at 6.1% p.a. and is recognised as receivable from the parent company. Fair value of the loan receivable approximates its carrying amount, as it was given to the parent in October 2016 and carries interest rate based on market rate.

The lease receivables from Sunborn UK amounted to approximately EUR 3.4 million on 30.6.2017 (EUR 3.6 million on 31.12.2016).

Sunborn UK has guaranteed the senior unsecured bonds of the Company. Detailed information on the guarantee is described in note 6 Borrowings.

## **8. Appendix 1**

### **Sunborn International (UK) Ltd Half year Financial Report 1 January - 30 June 2017**